

## CHANGES IN THE GLOBAL FINANCIAL SERVICE MARKETS

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### Abstract :

The financial sector is in a process of rapid transformation. Reforms are continuing globally as part of the overall structural reforms aimed at improving the productivity and efficiency of the economy in the highly competitive world. The role of an integrated financial infrastructure is to stimulate and sustain economic growth. This stability has come through the resilience that the In-country system and the finance companies have built over these years. The financial sector has kept pace with the growing needs of corporate and other borrowers. This paper analyses some of the key developments affecting the industry and examines some of the most important issues currently facing the industry regarding financial services.

It does not attempt to discuss all of the important developments or issues. Banks, capital market participants and insurers have developed a wide range of products and services to suit varied customer requirements.

**Keywords :** Financial services, Capital market participants, Banks, Insurers.

### 1. Introduction :

The increasing and diverse need of growing corporate sector encourages the steady growth of financial services market. After the implementation of 1991 reforms the financial sector was growing tremendously. The financial sector represents a significant proportion in financial market activity in the country. The industrial liberalization and de regulations have provided a new era for capital market. A large market, skilled labour force, competitive wages, easy availability of finance and political stability made India an attractive destination for the foreign direct investment, but was constrained somewhat by slow pace of government reforms, poor infrastructure, cultural values and bureaucracy.

Finance is a provision of money. It is exclusively concern with procurement of funds. It is concerned with cash and everything that takes place for smooth functioning of business concern. Finance is not only involved in procurement of funds but also in their effective utilization in business. The financial system can create wonders in the economic development of a country.

Financial Services refer to services provided by the finance industry. The finance industry encompasses a broad range of organisations that deal with the management of money. Among these organisations are banks, credit card companies, insurance companies, consumer finance companies, stock brokerage, investment funds and some government sponsored enterprises.

Offerings to Indian Market :

- Banks

The Indian banking system has a large geographic and functional coverage. Presently the total asset size of the Indian banking sector is US\$ 270 billion while the total deposits amount to US\$ 220 billion with a branch network exceeding 66,000 branches across the country. Revenues of the banking sector have grown at 6% CAGR (compound annual growth rate) over the past few years to reach a size of US\$ 15 billion. While commercial banks cater to short and medium term

finance requirements, national level and state level financial institutions meet longer-term requirements. Banking today has transformed into a technology intensive and customer friendly model with a focus on convenience. The sector is set to witness the emergence of financial supermarkets in the form of universal banks providing a suite of services from retail to corporate banking and industrial lending to investment banking. While corporate banking is clearly the largest segment, personal financial services is the highest growth segment.

- **Capital Market**

The Indian capital markets have witnessed a transformation over the last decade. India is now placed among the mature markets of the world. Key progressive initiatives taken by the Indian markets of the world. Key progressive initiatives taken by the Indian market institutions has been the depository and share dematerialization systems that have enhanced the efficiency of the transaction cycle, replacing the flexible, but often exploited, forward trading mechanism with rolling settlement, to bring about transparency, Corporatisation of Stock exchanges Indian Capital Markets have rewarded Foreign Institutional Investors (FIIs) with attractive valuations and increasing returns. Many new instruments have been introduced in the markets, including index futures, index options, derivatives and options and futures in select stocks.

- **Insurance**

With the opening of the market, foreign and private Indian players are keen to convert untapped market potential into opportunities by providing tailor-made products.

The presence of a host of new players in the sector has resulted in a shift in approach and the launch of innovative products, services and value-added benefits. Foreign majors have entered the country and announced joint ventures in both life and non-life areas. Major foreign players include New York Life, Aviva, Tokio Marine, Allianz, Standard Life, Lombard General, AIG, AMP and Sun Life among others. The market's potential has been estimated to have a premium income of US\$ 80 billion with a potential size of over 300 million people.

- **Venture Capital**

Technology and knowledge have been and continue to drive the global economy. Given the inherent strength by way of its human capital, technical skills, cost competitive workforce, research and entrepreneurship. India is positioned for rapid economic growth in a sustainable manner. The Indian venture capital sector has been active despite facing a challenging external environment in last decade and a competitive market scenario. According to a survey conducted by Thomson Financial and Prime Database, India ranked as the third most active venture capital market in Asia Pacific at the start of 20<sup>th</sup> century. There is an increased interest in India. The amount has grown nearly twenty fold in the past five years. Today the VC funds that operate in India with the total assets under management are nearly worth about US\$ 6 billion. Most VCs believe that this decade will be driven by a relatively stable economy and new initiatives that will boost the e-commerce sector, particularly on-line trading and e-banking sectors. To realize the potential, there is a need for risk finance and venture capital (VC) funding to leverage innovation, promote technology and harness knowledge based ideas.

### **Challenges :**

The financial services industry is in a period of transition globally. Regular market shifts, fierce competition, and technological developments are ushering in unprecedented changes in the global financial service industry. Organizations in this highly competitive and increasingly regulated industry will especially need to focus on making themselves more:

- Adapt to face increasing transaction volumes, regulation and the integration of previously disparate global markets.
- Agile at identifying and managing risk
- Optimized in both business and technology, operationally efficient.
- Financial professional with knowledge of Business/ Industry and technical competence to enhance their competitive advantage in this changed environment, financial services institutions are increasingly harnessing senior executives with right knowledge of business/ industry and technical competence, who can spearhead new business initiatives with better IT Technologies to provide superior customer offerings and streamline internal processes. Today's dynamic marketplace demands that financial service sector emphasize on technologically advanced, feature-rich solutions, that can operate in real-time and with the highest degree of precision and reliability.

In this scenario, senior finance executive with right skill sets and rich experience have become critically important for the industry.

### **Conclusions:**

The financial system is a weapon to counter the poverty. It is a tool to construct a good and strong economy. The financial system can make investment dreams into realities. The wealth of a nation can only be constructed through a better financial system. The system enhances the efficiency of a business concern which is reflected in the economic development. The financial system is a set of complex and closely connected with various aspects, i.e., financial instruments; financial institutions markets, financial services, financial practices etc.

The specialized financial institutions emerged in the Indian financial system to cater to the financial needs of industrial sector. The insurance companies also played a prominent role in resource mobilization in directing investment in productive areas.

Venture capital provides finance or risk capital to little known unregistered high risky, technology oriented, knowledge based activities which have long development cycle. Corporate banking is clearly the largest segment, personal financial service is the highest growth segment.

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